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'99 SEP 16 PM 3 33

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September 16, 1999

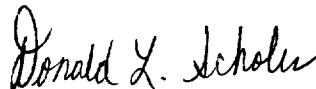
David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505

Re: Application of Terrabrook Ladd Utilities, LLC for a Certificate of Public Convenience and Necessity, Docket No. 99-00509

Dear Mr. Waddell:

I have enclosed an original and fourteen copies of the Response to the Staff's Information Request set forth in the September 3, 1999 letter from Butch Phillips. Please marked filed the extra copy enclosed, and return to me. Thank you for your assistance in this matter.

Sincerely yours,



DONALD L. SCHOLLES

Enclosure

c: Vince Williams, Consumer Advocate
Ken Green
Jim Littlejohn
Steve Lane

BKSJ File No.: 99-272

FILE

REC'D TO
REGULATORY AUTH.
99 SEP 16 PM 3 33
OFFICE OF THE
EXECUTIVE SECRETARY

RESPONSE TO INFORMATION REQUEST TO
TERRABROOK LADD UTILITIES, LLC IN DOCKET NO. 99-00509

1. Provide the basis used in calculating the operations and maintenance expense for all years referenced in filing. Provide breakdown for each category of expense.

See attached Response to Item 1.

2. Provide proforma financial statements of Terrabrook Ladd Utilities, L. L. C. for the periods referenced in its filing.

See attached Response to Item 2.

3. The filing indicates that the cost of constructing the wastewater facility is approximately \$3,000,000. Provide a detailed breakdown of this projected amount.

See attached Response to Item 3.

4. Provide any franchise agreements that may exist between Terrabrook Ladd Utilities, L.L.C. and any governmental entity.

The geographic area for which the Company is seeking a Certificate of Public Convenience and Necessity is not located within the municipal boundaries of any city; therefore, the Company has no franchise agreement.

5. Provide copies of any proposed financing that may be acquired in connection with Terrabrook Ladd Utilities, L. L. C.

When the Company is ready to proceed with construction, Terrabrook Ladd, L.P. or another affiliate of Westbrook United Land Investment will make the initial capital contribution of \$300,000 to the Company. The Company intends to borrow the remaining \$2,700,000 from a local or national bank with experience in acquisition and development financing. The lender chosen may be the same as for the surrounding development project and one of several which have financed other Terrabrook projects across the country. The Company anticipates that the term of the note will be for a seven year period and that the rate of interest will be approximately 9%. No documents have been prepared yet to evidence this debt and will not be until the Company's application is granted and the surrounding development which will be served by the Company receives final approval from the Williamson County Planning Commission.

6. Provide the names of the officers of Terrabrook Ladd Utilities, L. L. C. and list the corresponding mailing addresses for each officer.

<u>Name</u>	<u>Office</u>
J. Scott Nesbit	President
Richard L. Croteau	Vice President
Scott R. Fitzgerald	Vice President
David L. Frame	Vice President
Kenneth R. Green	Vice President
Marcus L. Scoggins	Chief Financial Officer and Treasurer
Scott H. Raskin	Secretary
Yolanda D. Bartee	Assistant Secretary
Susan A. Merkel	Assistant Secretary
Laura L. Brewer	Assistant Secretary

The address of all of these officers, except for Kenneth Green is 3030 LBJ Freeway, Suite 1500, LB-6, Dallas, Texas 75234. Kenneth Green's address is 2111 Fieldstone Parkway, Franklin, Tennessee 37069. All correspondence to the Company should be sent to Kenneth Green.

RESPONSE TO ITEM 1

**Tennessee Regulatory Authority
Docket No. 99-00509
Item No. 1**

**Basis For Determination
of
Operation and Maintenance Cost
9/13/99**

Labor

Years 1 and 2	1 Full Time Employee (1 Treatment Plant Operator/Maintenance)
Years 3 and 4	2 Full Time Employees (2 Treatment Plant Operators, 1 System Maintenance)
Years 5 and 6	3 Full Time Employees (2 Treatment Plant Operators/1 System Maintenance)
Year 7	4 Full Time Employees (2 Treatment Plant Operators, 2 System Maintenance)

Power

Years 1 and 2	50,000 Kilowatt Hours Per Month Average Flow: 140,000 GPD Blowers, Pumps, and UV Disinfection	95 Horsepower Demand
Years 3, 4, and 5	90,000 Kilowatt Hours Per Month Average Flow: 315,000 GPD UV Disinfection	160 Horsepower Demand
Years 6 and 7	110,000 Kilowatt Hours Per Month Average Flow: 526,000 GPD Blower, Pumps and UV Disinfection	180 Horsepower Demand

Chemicals

Minimal chemicals will be required. Disinfection will be accomplished with UV system. Some small amount of chemicals may be used for process/odor control.

Repairs/Supplies

Years 1 and 2	1% Of Original Equipment Costs	$\$1,200,000 \times 0.01 = \$12,000/\text{yr}$
Years 3 and 4	2% Of Original Equipment costs	$\$1,200,000 \times 0.02 = \$24,000/\text{yr}$
Years 5 and 6	4% Of Original Equipment Costs	$\$1,200,000 \times 0.04 = \$48,000/\text{yr}$
Year 7	5% Of Original Equipment Costs	$\$1,200,000 \times 0.05 = \$60,000/\text{yr}$

Depreciation

The depreciation costs have been estimated assuming a 15 year useful life for the treatment plant equipment and to provide a sufficient depreciation cost to build a reserve to replace the facilities after 15 years. The actual useful life of most of the treatment plant equipment is greater than 15 years.

Simple Straight Line Depreciation Over 15 Years $\$2,500,000 \div 15 = \$166,667/\text{yr}$

Total estimated depreciation is approximately \$3,000,000 over 15 years. Actual depreciation amount will be determined in a detailed depreciation schedule for the various portions of the treatment plant facilities.

Administrative

Payroll Costs	30% of Annual Labor Costs
Laboratory/Permit Testing	\$1,500/Month
Billings/Collections	\$1 Per Month Per Customer-To Be Administered And Collected By Milcrofton Utility District
Miscellaneous Costs	Ranging From \$300/Month To \$1,000/Month As Build-Out Occurs

Source: The costs were estimated based on actual information from other facilities and from EPA Publication – EPA 430/9-77-015; MCD-39 Analysis of Operations and Maintenance Costs For Municipal Wastewater Treatment Systems.

Note: Sludge disposal will be accomplished by land disposal of liquid sludge on the land used for the spray irrigation of the effluent.

RESPONSE TO ITEM 2

**TERRABROOK LADD UTILITY, L.L.C.
SEVEN-YEAR PRO FORMA INCOME STATEMENT**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Revenue							
Residential usage	92,000	184,000	276,000	368,000	460,000	575,000	690,000
Commercial usage	0	0	0	0	0	0	0
Connection fees	640,000	640,000	640,000	640,000	640,000	800,000	800,000
Total Revenue	732,000	824,000	916,000	1,008,000	1,100,000	1,375,000	1,490,000
Operating Expenses							
Labor	30,000	35,000	60,000	68,000	84,000	92,000	122,500
Power	47,800	47,800	95,650	95,650	95,650	105,400	112,000
Chemicals	800	1,200	1,600	1,600	2,400	2,400	3,000
Repairs/Supplies	12,000	12,000	24,000	24,000	48,000	48,000	60,000
Depreciation/Amortiz.	131,250	150,000	168,750	195,000	213,750	213,750	213,750
Administrative	33,000	39,000	65,000	70,000	75,000	99,500	138,000
Total Expenses	254,850	285,000	415,000	454,250	518,800	561,050	649,250
Net Operating Income (before Interest/Tax)	477,150	539,000	501,000	553,750	581,200	813,950	840,750
Interest Expense	226,980	196,920	169,200	138,240	100,980	58,770	18,270
Net Income before Tax	250,170	342,080	331,800	415,510	480,220	755,180	822,480

[illegible]

**TERRABROOK LADD UTILITY, L.L.C.
PRO FORMA DEBT SERVICE SCHEDULE**

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Land/Construction Expenditur	(3,000,000)	0	0	0	0	0	0	0	0
Connection Fee Revenue	0	640,000	640,000	640,000	640,000	640,000	800,000	800,000	0
Operating Revenue	0	92,000	184,000	276,000	368,000	460,000	575,000	690,000	690,000
Operating Expenses	0	(254,850)	(285,000)	(415,000)	(454,250)	(518,800)	(561,050)	(649,250)	(649,250)
Add back: Depreciation/Amort	0	131,250	150,000	168,750	195,000	213,750	213,750	213,750	213,750
Less: Replacement Reserve		(131,250)	(150,000)	(168,750)	(195,000)	(213,750)	(213,750)	(213,750)	(213,750)
Net Cash Flow	(3,000,000)	477,150	539,000	501,000	553,750	581,200	813,950	840,750	40,750
Cumulative Net Cash Flow	(3,000,000)	(2,522,850)	(1,983,850)	(1,482,850)	(929,100)	(347,900)	466,050	1,306,800	1,347,550
Land/Construction Draws	2,700,000	0	0	0	0	0	0	0	0
Deficit Draws	0	118,922	57,072	95,072	42,322	14,872	0	0	0
Interest Draws	0	121,500	226,980	196,920	169,200	138,240	100,980	58,770	18,270
Repayments	0	(596,072)	(596,072)	(596,072)	(596,072)	(596,072)	(596,072)	(464,418)	(18,270)
Ending Loan Balance	2,700,000	2,344,350	2,032,330	1,728,250	1,343,700	900,740	405,648	203,000	(0)
Average Balance	1,350,000	2,522,000	2,188,000	1,880,000	1,536,000	1,122,000	653,000	203,000	(0)
Interest ** 9.0%	121,500	226,980	196,920	169,200	138,240	100,980	58,770	18,270	0
Cumulative Interest	121,500	348,480	545,400	714,600	852,840	953,820	1,012,590	1,030,860	

** - Construction period interest of \$121,500 incurred in Year 0 is capitalized on Balance Sheet as part of plant

RESPONSE TO ITEM 3

Tennessee Regulatory Authority
Docket No. 99-00509
Item No. 3

Opinion Of Probable Cost
For
Wastewater Treatment
And
Disposal System
9/13/99

I. Wastewater Treatment Plant

	<u>Equipment</u>	<u>Installation</u>	<u>Total</u>
A. Primary Treatment/Pump Station, Grit Removal/Screening	\$197,000	\$105,00	\$302,000
B. 525,600 GPD Extended Aeration System Plant	\$350,000	\$112,000	\$462,000
C. Sludge Holding Tank	\$49,000	\$32,000	\$81,000
D. Sludge Loading Station	\$22,000	\$20,000	\$42,000
E. Wastewater Disinfection System (Ultraviolet)	\$96,000	\$75,000	\$171,000
F. Site Improvements, Yard Piping	\$50,000	\$100,000	\$150,000
G. Maintenance/Control Building	\$30,000	\$30,000	\$60,000
Sub-Total	\$794,000	\$474,000	\$1,268,000
Engineering, Contingency (18%)			\$232,000
Total			\$1,500,000

II. Spray Irrigation Effluent Disposal System

	<u>Equipment</u>	<u>Installation</u>	<u>Total</u>
A. Spray Irrigation Pump Station	\$75,000	\$100,000	\$175,000
B. Effluent Storage Lagoon	\$25,000	\$100,000	\$125,000
C. Spray Irrigation System, 80 Acres @ \$50,000/Acre	\$400,000	\$100,000	\$500,000
D. Fencing	\$25,000	\$25,000	\$50,000
Sub-Total	\$525,000	\$325,000	\$850,000
Engineering, Contingency (18%)			\$150,000
Total			\$1,000,000

III. Spray Irrigation

Land Disposal Site (Allowance)	\$500,000
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TOTAL	\$3,000,000
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